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Agenda item 116

# UNITED NATIONS COMMON SYSTEM

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the attached correspondence received from the International Telecommunication Union (ITU) on the subject of the United Nations common system.

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Annex I

NOTE DATED 13 JULY 1992 FROM THE SECRETARY-GENERAL OF THE INTERNATIONAL TELECOMMUNICATION UNION ADDRESSED TO THE SECRETARY-GENERAL

Please find enclosed, for your information and the information of the United Nations General Assembly, copies in English, French and Spanish of resolutions Nos. 1028 and 1029 adopted by the International Telecommunication Union's Administrative Council at its forty-seventh session which ended last week.

I am also enclosing copies of the supporting document No. 7265 and its addendum which is mentioned in resolution No. 1029.

(Signed) Pekka TARJANNE

## Appendix I-A

**RESOLUTION**
**(approved at the 6th meeting of Committee 2)**

**R No. 1028. CONDITIONS OF EMPLOYMENT OF STAFF IN THE GENERAL SERVICE CATEGORY**

The Administrative Council,

Noting that the present conditions of employment including pensions for General Service staff have enabled the Union to recruit and retain staff of a calibre required for its good and smooth functioning,

Being aware that changes in the local labour market environment on which the General Service staff conditions of employment are based might have, from time to time, to be reflected in those conditions,

Considering that changes resulting from any comprehensive review of methodologies for determining conditions of employment for General Service staff should not impede the Union's efforts to recruit and retain suitably qualified staff,

Concerned that if less favourable conditions of employment result from changes in such methodologies, that acquired rights of staff be respected fully,

Invites the Secretary-General to present these views to the International Civil Service Commission,

Instructs the Secretary-General to transmit the Union's position to the relevant United Nations common system bodies involved in these questions taking into account the best interests of the Union as reflected in this resolution.

Appendix I-B

RESOLUTION
(approved at the 6th meeting of Committee 2)

R No. 1029. CONDITIONS OF EMPLOYMENT OF STAFF IN THE PROFESSIONAL AND HIGHER CATEGORIES

The Administrative Council,

In view of No. 104 of the International Telecommunication Convention, Nairobi, 1982,

Having taken note with appreciation of the encouragements given by the United Nations General Assembly to the International Civil Service Commission to pursue further improvements in its functioning, with a view to enhancing its responsiveness within the common system to the concerns and needs of the different organizations,

Concerned that differences in the working hours at various locations have not been considered when establishing remuneration levels for these locations for staff in the Professional and higher categories,

Concerned further that remuneration in the Professional and higher categories, in particular in the Union's technical field of work, is maintained at sufficient levels to recruit and retain appropriately qualified staff,

Recognizing the risk of organizations of the common system taking unilateral action not in conformity with the common system to reduce or eliminate these differences while the United Nations General Assembly appealed to them to refrain from such actions,

Bearing in mind the obligations arising from the agreement between the International Telecommunication Union and the United Nations as well as the acceptance by the Union of the statute of the International Civil Service Commission,

Welcomes the decision of the United Nations General Assembly to invite the International Civil Service Commission to analyse further the current and projected development on the pay levels of the United States Federal Civil Service, to report thereon to the United Nations General Assembly in 1994 and, in so doing, to provide full details of any special pay systems which had been introduced by the comparator civil service,

Meanwhile requests as a matter of urgency the International Civil Service Commission and the United Nations General Assembly:

- To examine further and in depth the question of equality of treatment of staff members at various duty stations;

- To study and approve for the United Nations system any necessary measures to enable United Nations bodies, including ITU, to continue to recruit and retain staff of the highest standards of efficiency, competence and integrity; and

Instructs the Secretary-General:

- To transmit this resolution to the International Civil Service Commission and the United Nations General Assembly, together with the addendum to document 7265;

- To follow closely and actively any development in this field with his colleagues, heads of specialized agencies and with the International Civil Service Commission;

- To report to the next Administrative Council on the response of the common system to the Union's request.

## Appendix I-C

## CONDITIONS OF EMPLOYMENT OF STAFF IN THE PROFESSIONAL AND HIGHER CATEGORIES: NEW APPROACHES

### Introduction

Degradation in the conditions of employment of the staff of the United Nations system is a fact and is not new. In most headquarters duty stations away from the base of the system, the degradation is characterized by extended freeze of remuneration, loss in purchasing power of salaries and overlap between the salaries of General Service staff and remuneration in the Professional and higher categories (see annex 1). Masses of documents and reports have quantified and analysed the problem which has for years been the major concern of the Administrative Committee on Coordination, the International Civil Service Commission and the General Assembly itself.

The Administrative Committee on Coordination had placed many expectations on the comprehensive review of the conditions of service for the staff in the Professional and higher categories which had been requested by the General Assembly. Notwithstanding a lot of effort from all parties concerned, and in particular the International Civil Service Commission, the Consultative Committee on Administrative Questions and the staff, the outcome fo the review has been very disappointing. Whereas improvements have been introduced for the staff working in the field, there has been no major change in the basic conditions of employment and in the remuneration. In this context it should be recalled that the last increase in remuneration granted in July 1990 has not reached the 5 per cent level anticipated in all duty stations.

All efforts, all innovative approaches for improving the remuneration levels, failed the test of comparability with the best paid national civil service.

In application of the Noblemaire principle, limits have been established by the United Nations General Assembly in order to ensure that the level of United Nations remuneration will be not less than 10 per cent and at most 20 per cent higher than that of the United States civil service (the comparator).

On many occasions the International Civil Service Commission has reassessed the validity of that Principle and its conclusion, endorsed by the United Nations General Assembly, has invariably been the same: "there is no alternative".

The purpose of this paper is not to challenge this conclusion but to go more deeply into the comparison between the United States Federal Civil Service and the international one.

The United States Federal Civil Service

The problems in the domain of compensation levels faced by the United Nations system are unique. Indeed the United States Federal Civil Service, to which our system is closely linked, is facing the same problems and difficulties as we are.

As a first stage, it is of some interest to analyse what steps the comparator country has taken to overcome these problems.

Present situation

Since the early 1980s, the Federal Civil Service has introduced a supplementary (as compared to the General Schedule) compensation scheme at the national level. This supplementary scheme took the form of special rates which were initially instituted on a selective basis.

Today, the number of exceptions to remuneration being based on the basic compensation schedule is even larger and no longer limited to some occupational groups, as a number of departments and agencies in the United States civil service have been authorized to establish separate pay systems at a higher level, while others are running under "experimental" pay schemes also at a higher compensation level. It is estimated that at the present time more than 50 per cent of the United States federal civil servants (Washington area) in occupations comparable to those of the United Nations system are under special pay rates or systems.

Future developments

On 5 November 1990, the President of the United States signed a law enforcing what is called the Federal Employees Pay Comparability Act of 1990 (FEPCA). Essentially, the new law revises the current monolithic General Schedule by gearing pay rates to relevant local labour markets and introducing pay flexibilities to enhance the recruitment and retention of a competent workforce.

The major features of FEPCA can be found in annex 2. They fall into three categories:

- The introduction of a locality pay system where, by 1994, and with some interim measures for 1992 and 1993, pay scales will vary by geographical area based on the cost of labour of non-Federal employees in the same area;

- The introduction of a series of compensation tools for Recruitment and Retention, i.e., recruitment and relocation bonuses, retention allowances, supervisory differentials, ad hoc remuneration for critical positions (maximum of 800 positions), advanced in-hire rates, extended range for special rate schedules, creation of a new pay band for senior-level positions;

- Establishment of a policy of pay for performance for the General Schedule workforce. A joint committee has been established to advise the Director of the Office for Personnel Management on the design of a pay for performance system.

The United Nations system

Under the present averaging methodology applied by the International Civil Service Commission for calculating the margin, i.e., the difference between the United Nations and United States levels of remuneration, the impact of those special pay rates and schedules which are taken into account is minimal.

Furthermore, the fact that the comparator itself had to take specific measures to cater for the needs of some of the staff or of some of its agencies, is not reflected at all in the United Nations system where the same basic salary scale applies to everyone whatever the field of activity of the agency.

As long as such a monolithic approach to compensation in the United Nations system prevails, it can only be expected that, while corresponding on the whole to United States remuneration level, the United Nations system is going to be less and less responsive to the specific needs and programme delivery of the organizations in terms of recruitment and retention.

Moreover, whether a universal approach to Professional remuneration is indeed being followed could be questioned. Whether the post adjustment system, which is intended to ensure equivalence of purchasing power is still meeting that objective deserves close examination. Furthermore, the length of the working week, although varying significantly across the system, is not taken into account in the Professional remuneration system.

Consequences

As mentioned above, FEPCA changes the way pay is established for General Schedule employees. Whereas both the old pay-setting system and the new system compare Federal salaries with salaries paid to non-Federal workers, the old system did this on a nationwide basis and the new system makes comparisons in local geographic areas.

This new feature of the comparator compensation system represents a fundamental change in the compensation approach, whereby remuneration is going to correspond much more closely to the needs taking into account the local environment.

No doubt, such a change will have to be reflected one way or another in the calculation of the margin between the United Nations and United States pay; however, the present methodology of averaging all United States remuneration will not reflect properly in our system this fundamental change in the comparator civil service.

The same concern applies equally to the way special United States Federal Civil Service pay systems are taken into account in the remuneration margin comparisons. The "average in" approach retained on a provisional basis by the International Civil Service Commission does not reflect in the United Nations system the proper level of remuneration offered by the best paying federal civil service pay systems for those occupational groups of relevance to the United Nations system. In other words, the wide range of pay practices of the comparator civil service is not appropriately captured by the current averaging system.

Furthermore, the structure of the United Nations system remuneration differs significantly from that of the comparator civil service. Lower levels of remuneration, applicable to a small number of staff, are relatively higher than in the reference civil service, while the situation is reversed for the highest levels of remuneration. The significant increases granted at senior management levels in the comparator country are thus not reflected in the United Nations system.

Problems to be solved

Emphasis should be placed on the fact that each specialized agency of the United Nations system is also in competition with a number of organizations, companies, entities in its field of work, and in the same geographic and economic environment.

For example, each European-based agency of the United Nations system has counterpart(s) which are recruiting and employing in Europe staff with the same qualifications and experience.

The present global compensation approach does not allow these agencies to adjust to this environment, and their competitiveness in terms of recruitment and retention of staff has reached such a low level that the very functioning of the organizations is at stake.

Annex 3 provides some comparative data on the agencies' level of compensation with those available in the international labour market.

Depending on the duty station, the coordinated organizations and those agencies using a similar compensation approach are providing their staff with remuneration levels 20 to 40 per cent higher than the United Nations system while, in the case of the World Bank, the difference is about 30 per cent.

The prospect of having a global unique remuneration scale for the United Nations system enabling the agencies to compete with those organizations cannot be deemed realistic or very rational, nor can the present situation of protracted period of freeze. reduction in the purchasing power of those categories of staff where organizations are facing serious recruitment problems and retention difficulties, compression of the span of remuneration and its consequences on the motivation of managers, significant overlap of remuneration between support staff and professional be allowed to continue nor

the lack of transparency and complexity of the remuneration system; it is more than time for change.

Possible solutions

It is assumed here that the United Nations system of compensation will continue to be based on the Noblemaire principle. As long as the United States Federal Civil Service remains our comparator the basic features of the United Nations and United States system are going to be similar, if not identical, without the United Nations system being necessarily a carbon copy of the comparator.

It seems, however, only logical that key features of the United States system, when designed to overcome the same problems as those faced in the United Nations system, are retained as basic principles of our system. This is particularly true for the locality pay system based on labour market costs and not, as our post adjustment system, on cost-of-living differences.

Keeping in mind, as mentioned above, that the comparator civil service uses more than 130 special pay schedules to respond to equivalent problems, it is recommended that such flexibility in the compensation approach be introduced also in the common system. Those agencies with recruitment or retention problems would be allowed, within certain limits, to apply special pay scales reflecting to some extent the prevailing local conditions in which the organizations have to compete.

Such an approach would not require a fundamental reform of the compensation package but merely enable agencies to reduce the compensation gap with the labour market when and where it is necessary. The overall control of the system could be maintained by establishing limits within which the adjustment would be maintained.

The implementation of such a solution would not present significant technical difficulties, it would only apply the "Noblemaire principle" in the light of the comparator practices. However, it should also be recognized that it is difficult to envisage the implementation of such an approach before full consideration of the matter is given by the established machinery of the United Nations system.

In the meantime, the following immediate solutions could be envisaged:

- Granting compensation through the post adjustment system so that staff receive the level of remuneration corresponding to the number of working hours they are normally required to serve;

- Introducing levels of remuneration for senior United Nations officials which are truly comparable to the equivalent levels in the United States Federal Civil Service;

- Providing for greater transparency and simplicity in the remuneration system, for example by introducing local-currency salary scales at headquarters locations.

Conclusion

The Administrative Coordination Committee might wish to:

- Support the principle of the suggested approach with a view to adapting the United Nations system to the environment by taking into account the practice established by the comparator country;

- Decide that interested agencies, with the support of the Consultative Committee on Administrative Questions, will put their resources together to develop further the proposed concepts as well as the technical aspects of their implementation;

- Instruct the Consultative Committee on Administrative Questions to submit concrete proposals to the next session of the International Civil Service Commission with a view to having the matter submitted to the United Nat_ons General Assembly as soon as practicable;

- Request, as a matter of urgency, the International Civil Service Commission and the Consultative Committee on Administrative Questions to study the question of the level of compensation compared with the normal working hours of staff in the Professional and higher categories, of the level of compensation for senior level of staff and the simplification of payroll procedures, with a view to submitting concrete proposals to the United Nations General Assembly at its forty-seventh session.

## Annex II

### NOTE DATED 24 JULY 1992 FROM THE DEPUTY SECRETARY-GENERAL OF THE INTERNATIONAL TELECOMMUNICATION UNION ADDRESSED TO THE SECRETARY-GENERAL

Please find enclosed a copy of the letter I am sending today to the Chairman of the Fifth Committee regarding the decisions taken by the Administrative Council of the International Telecommunication Union during its forty-seventh session, held in Geneva from 29 June 1992 to 10 July 1992, following its debate on United Nations General Assembly resolution 46/191.

I would very much appreciate it if, in case this matter were to be discussed in the near future, you could ensure that all participants to that discussion receive a copy of the enclosed documents.

(Signed) J. JIPGUEP

## Appendix II-A

### LETTER DATED 24 JULY 1992 FROM THE DEPUTY SECRETARY-GENERAL OF THE INTERNATIONAL TELECOMMUNICATION UNION ADDRESSED TO THE CHAIRMAN OF THE FIFTH COMMITTEE

I am enclosing resolution No. 1024 of the forty-seventh session of the Administrative Council of the International Telecommunication Union, held in Geneva from 29 June 1992 to 10 July 1992. This resolution constitutes the outcome of the debate by the Administrative Council following due consideration of United Nations General Assembly resolution 46/191 and was approved after a vote by secret ballot, in accordance with rule 19.3 (c) of the rules of procedure of the Administrative Council.

The result of the vote was as follows:

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| Number of members voting: | 42 |
| Abstentions: | 3 |
| Number of votes for or against: | 39 |
| Required majority: | 20 |
| In favour: | 29 |
| Against: | 10 |

In case the matter were to be discussed in your Committee earlier than the forthcoming General Assembly, I would very much appreciate it if you could ensure that this letter and the enclosed resolution be circulated among the members of the Fifth Committee.

(Signed) J. JIPGUEP

## Appendix II-B

**RESOLUTION**

(approved at the 5th and 6th meetings of Committee 2)

**R No. 1024. REGULATIONS ON SPECIAL POST ALLOWANCES**

The Administrative Council,

Considering United Nations General Assembly resolution 46/191, which was adopted by consensus and states that the General Assembly:

> "Deplores the decision of the International Telecommunication Union to grant a special post allowance to headquarters staff at the Professional and higher levels, which is contrary to the norms of the Common System, and requests the governing body of the International Telecommunication Union to respect its obligations under the Common System;"
>
> "Endorsed the view of the International Civil Service Commission that the action taken by the International Telecommunication Union in regard to special post allowances is incompatible with the concept of the Common System;"

Aware of the agreement between the International Telecommunication Union and the United Nations and of the acceptance by the Union of the Statute of the International Civil Service Commission,

Cognizant of the serious nature and vital importance of the Administrative Council's responsibilities under the Convention of the International Telecommunication Union and the Union's agreement with the United Nations,

Aware also that the applicable regulation, i.e. staff regulation 3.8 (b), states that:

> "Exceptionally, when additional temporary work of at least four weeks duration, e.g. for conferences, has to be provided for, the Secretary-General is authorized to pay the special post allowance for a period not exceeding six months and starting from the date on which the staff member takes up duties the level of which corresponds to a higher grade."

Accepting the view of the International Civil Service Commission endorsed by the United Nations General Assembly that the action taken by the International Telecommunication Union in regard to special post allowance is incompatible with the common system,

Being responsible for ensuring that the provisions of the Convention and of the regulations duly promulgated under it are complied with and adhered to,

Responding to the request in United Nations General Assembly resolution 46/191 that the International Telecommunication Union respects its obligations under the common system,

Resolves that any further application of staff regulation 3.8 (b) must be in strict conformity with the wording of that regulation and fully in line with the common system and must not be in contravention of the views already expressed on this matter by the United Nations General Assembly and the International Civil Service Commission;

Further resolves that a consultative group be established composed of designated Members of the Administrative Council, the Coordination Committee and Staff Representatives to the meetings of which a representative of the ICSC will be invited; this group shall study staff issues in order to recommend to the Council specific actions, in conformity with the common system;

Instructs the Secretary-General:

1. Pending the consideration by the Council at its forty-eighth session of decisions relating to the composition and the function of this group, the Secretary-General shall convene a meeting including Councillors from the United States of America, France, Japan, the Kingdom of Morocco, the Russian Federation and the Kingdom of Saudi Arabia, staff representatives, and invite a representative from the International Civil Service Commission to consider documents 7265 and Add.1 and 7288 and make any recommendations in their respect;

2. To present to the forty-eighth session a report on the above meeting and its recommendations.

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